

IN THE SUPREME COURT
APPEAL FROM THE MICHIGAN COURT OF APPEALS

**MARTIN B. BREIGHNER III and
KETHRYN BREIGHER,**

Docket No. 123529

Plaintiffs/Appellants,

v

**MICHIGAN HIGH SCHOOL ATHLETIC
ASSOCIATION, INC., a Michigan
non-profit corporation,**

Defendant/Appellee.

**BRIEF ON APPEAL – AMICUS CURIAE
MICHIGAN SOCIETY ASSOCIATION EXECUTIVES
IN SUPPORT OF DEFENDANT/APPELLEE
MICHIGAN HIGH SCHOOL ATHLETIC ASSOCIATION, INC.**

ORAL ARGUMENT REQUESTED

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STATE OF MICHIGAN
IN THE MICHIGAN SUPREME COURT

MARTIN B. BREIGHNER III and
KATHRYN BREIGHNER

Plaintiffs/Appellants,

-vs-

MICHIGAN HIGH SCHOOL ATHLETIC
ASSOCIATION, INC., a Michigan
non-profit corporation,

Defendant/Appellee.

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**AMICUS CURIAE BRIEF OF MICHIGAN SOCIETY OF
ASSOCIATION EXECUTIVES IN SUPPORT OF
DEFENDANT/APPELLEE MICHIGAN HIGH SCHOOL
ATHLETIC ASSOCIATION, INC.**

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STATEMENT OF THE BASIS OF JURISDICTION

Amicus curiae MSAE concurs with the statements of the basis of jurisdiction set forth by Plaintiffs/Appellants and Defendant/Appellee, Michigan High School Athletic Association.

STATEMENT OF QUESTIONS INVOLVED

- I. WHETHER THE COURT OF APPEALS PROPERLY FOUND THAT THE MICHIGAN HIGH SCHOOL ATHLETIC ASSOCIATION IS NOT AN AGENCY OF LOCAL SCHOOL DISTRICTS.**

The trial court declined to address this question.

Plaintiffs/Appellants answered, "No."

Defendant/Appellee answered, "Yes."

Amicus Curiae, MSAE answers, "Yes."

STATEMENT OF FACTS

The Michigan Society of Association Executives accepts the statement of facts set forth by Defendant/Appellee Michigan High School Athletic Association, but would add the following facts specifically pertaining to MSAE.

The Michigan Society of Association Executives ("MSAE") has been in existence since 1927. It functions as both an information resource and professional network for its 1,000 members, most of whom are employed as chief executive officers of not-for-profit Associations that have been granted tax-exempt status pursuant to United States Department of Treasury – Internal Revenue Service Code Sections 502(c)(3) and 501(c)(6), respectively (collectively, the "Member Associations").

The Member Associations are an integral component of Michigan's economy. Specifically:

- There are presently 845 Member and Non-Member Associations headquartered in the State of Michigan.
- Member and Non-Member Associations currently employ approximately 9,936 individuals.
- The Member and Non-Member Associations have total gross payrolls and total annual budgets of \$292,902,695 and \$982,894,950, respectively.

Both Member and Non-Member Associations positively impact the State of Michigan's fiscal health and well-being. Hence, any act that adversely affects Michigan's Associations will adversely affect the State of Michigan's **entire** economic fabric. Attached to and made an integral part of this Amicus Brief as Exhibit A is an in-depth economic data analysis of both Member and Non-Member Associations headquartered within the State of Michigan.

MSAE's goals include advancing knowledge and skill in organizational management and technical specialties, facilitating the exchange of experience and expertise among association professionals, advocating the value of professional management of not-for-profit associations and assisting with the career progression of members. To those ends, MSAE offers a number of educational conferences for members, ranging from single day conferences on professional development and technology to a ten-month academy on association management and leadership.

MSAE also provides a wide range of information resources, including a bi-monthly newsletter, a comprehensive library of resource and reference materials, membership survey data and a variety of other educational and resource materials. MSAE facilitates the exchange of information among its members by offering a membership directory, a variety of marketing tools, an operating ratio report, and special interest group programs. In addition, MSAE provides other services such as a group directors and officers liability insurance program, health plans, internet web site services, and group purchasing programs. MSAE ensures that the concerns of both its Member and Non-Member Associations are heard by Federal, State and local legislators and decision makers in the executive branches of federal, state and local government. Without MSAE, it is unlikely that both the micro and macro concerns commonly shared by its Members would be known to Federal, State and local policymakers. Further, without Michigan Associations in general it is extremely unlikely that the common concerns of both individual and corporate Association members would either be known to or acted upon by Federal or State or local policymakers.

Perhaps one of the greatest illustrations in that regard can be found in the **American Association of Retired Persons** ("AARP"). Without AARP, it is unlikely that the individual

voices and concerns of America's senior citizens would ever be heard by Federal, State or local legislators or executive policymakers. Similarly, the members of every Association are both empowered and heard by policymakers due solely to the role played by every Association. Additional information regarding the valuable role played by Associations is set forth at Exhibit B.

Associations serve as a **VOICE** of recognition for their membership and not as an agent. By threatening the ability of unempowered individuals and entities to be heard, the very cornerstone of the American democratic process is undermined.

ARGUMENT

I. **THE COURT OF APPEALS PROPERLY FOUND THAT THE MICHIGAN HIGH SCHOOL ATHLETIC ASSOCIATION IS NOT AN AGENCY OF LOCAL SCHOOL DISTRICTS**

A. **Standard Of Review**

The trial court decided this case on Plaintiffs' motion for summary disposition. This Court reviews *de novo* lower court decisions on motions for summary disposition. *Quality Products & Concepts Co v Nagel Precision*, 469 Mich 362, 369; 666 NW2d 251 (2003). The issue of whether MHSAA is an agency of its member school districts was decided as a matter of law by the Court of Appeals. Questions of law are reviewed *de novo* by this Court. *People v Perez*, 469 Mich 415, 418; 670 NW2d 655 (2003). Questions of statutory construction are also reviewed *de novo*. *Oakland Co Bd of Comm'rs v Michigan Property & Casualty Guaranty Ass'n*, 456 Mich 590, 610; 575 NW2d 751 (1998).

B. **Introduction**

This matter arises out of a dispute regarding whether Defendant, the Michigan High School Athletic Association, is subject to the requirements of the Freedom of Information Act, MCL 15.231; MSA 4.1801(1), *et seq.* The trial court granted Plaintiffs' motion for summary disposition based on its finding that MHSAA is "primarily funded by or through state or local authority," MCL 15.232(d)(iv), and therefore was a "public body" for purposes of FOIA.¹ The trial court therefore found that it was not necessary for the court to consider Plaintiffs' alternative arguments that MHSAA was a public body in that it was "created by state or local authority," MCL 15.232(d)(iv), or that it was an "agency" of a public body, MCL 15.232(d)(iii).

¹ See, Appellant's Appendix at p 35a.

On appeal, the Michigan Court of Appeals exercised its discretion to address not only the question answered by the trial court, i.e. whether MHSAA was a public body because it was "primarily funded by or through state or local authority," but also the questions not addressed by the trial court, i.e. whether MHSAA was a public body because it was "created by state or local authority" or was an agent of its school district members. *Breighner v Michigan High School Athletic Ass'n*, 255 Mich App 567, 577-585; 662 NW2d 413 (2003).² The Court of Appeals found that MHSAA was **not** a public body under any of the definitions of "public body" set forth in the FOIA statute at MCL 15.232(d). *Id.* at 583. Amicus curiae, Michigan Society of Association Executives, will address only one of the findings by the Court of Appeals, specifically its conclusion that MHSAA is not an agent of its member school districts. As will be discussed below, the Court of Appeals properly decided this issue and its decision should be affirmed.

C. The Court Of Appeals Properly Found That MHSAA Was Not An Agent Of Its Member School Districts.

The FOIA statute does not define "agency." Accordingly, in reaching its conclusion that MHSAA was not an agent of its member school districts, the Court of Appeals consulted with Black's Law Dictionary (7th ed), where "agency" is defined as "a fiduciary relationship created by express or implied contract or by law, in which one party (the agent) may act on behalf of another party (the principal) and bind that party by words or actions." *Breighner*, 255 Mich App at 582-583. The Court, citing *St Clair Intermediate School Dist v Intermediate Ed Ass'n/Mich Ed Ass'n*, 458 Mich 540, 558 n 18; 581 NW2d 707 (1998), found that:

² See also, Appellant's Appendix at p 45a.

"It is a fundamental principle of hornbook agency law that an agency relationship arises only where the principal "has the right to control the conduct of the agent with respect to matters entrusted to him."

Breighner, 255 Mich App at 583.

The Court of Appeals further found that the MHSAA was independently governed and that the member school districts had no authority, as principals, to control the conduct of the MHSAA, either individually or in the aggregate. *Id.* Based on these findings, the Court held, correctly, that MHSAA was not an agent of its member school districts and therefore not a "public body" for purposes of FOIA. *Id.*

Plaintiffs' contrary position, that MHSAA is an agent of its member school districts, flies in the face of long-established law. Under Michigan law, an "agent" is a person with express or implied authority to represent or act on behalf of another person, i.e. the principal. *Burton v Burton*, 332 Mich 326, 337; 51 NW2d 297 (1952). An agent takes his authority from the principal to act on the principal's behalf. *Id.*

One of the linchpins of the principal agent relationship is the principal's authority to control the conduct of the agent. The Restatement of Agency defines agency as "the fiduciary relation which results from the manifestation of consent by one person to another that the other shall act on his behalf and **subject to his control**, and consent by the other so to act." 1 Restatement Agency, 2d, § 1, p 7 (emphasis added), cited with approval by *People v Konrad*, 449 Mich 263, 283; 536 NW2d 517 (1995). Michigan courts have found that the principal's right to control the conduct of the agent is "**fundamental to the existence of an agency relationship.**" *St Clair Intermediate School Dist*, 458 Mich at 558 (emphasis added). See also *Elezovic v Ford Motor Co*, 259 Mich App 187, 212; ___ NW2d ___ (2003).

In keeping with its prior decisions, the Court of Appeals correctly found that MHSAA's member school districts did not control MHSAA because MHSAA is controlled by its own board of directors. *See Berschback v Grosse Pte Schools*, 154 Mich App 102, 110; 397 NW2d 234 (1986) (lv den 425 Mich 851). ("Technically, the MHSAA is a private, nonprofit corporation. The MHSAA is governed by a representative council made up of fourteen members elected by the member schools and four members appointed by the elected members. The representative council elects the MHSAA's executive committee, which consists of seven members.")

Further, this Court has previously emphasized that the relationship between MHSAA and its members is completely voluntary:

[T]he fundamental nature of the relationship between the MHSAA and its member schools—these schools voluntarily cede to the MHSAA full authority to regulate interscholastic athletics. . . . Neither students nor schools were compelled to submit to the governance of the MHSAA, yet all did so. As the record indicates, Lake Fenton and all other MHSAA member schools annually adopt a resolution establishing MHSAA membership, and accepting MHSAA governance of the athletic competitions in which the schools participate.

Kirby v MHSAA, 459 Mich 23, 36-37; 585 NW2d 290 (1999). *See also Cardinal Mooney H S v MHSAA*, 437 Mich 75, 80-81; 467 NW2d 21 (1991) ("We also find relevant the fact that the member schools of the MHSAA have voluntarily agreed to submit to the MHSAA's regulations . . . as a condition of their membership.")³

³ Amicus Michigan Press Association relies on *Richards v Birmingham School District*, 348 Mich 490; 83 NW2d 643 (1957) (overruled in part by *Williams v Detroit*, 364 Mich 231; 111 NW2d 1 (1961)) in support of the proposition that a governmental function, namely the organization of athletic competition in Michigan public schools, has been delegated to MHSAA. That reliance is misplaced. The *Richards* court "merely found that, when a school district chooses to allow, foster and promote interscholastic athletics, such interscholastic athletic programs are a component of a school's educational program and, thus, constitute a government purpose for purposes of the governmental immunity analysis." *Berschback*, 154 Mich App at 118-119.

Clearly, no one school district, or even all of the districts in the aggregate, has the authority to control MHSAA. Without a showing of control, MHSAA is not, as a matter of law, an agent of its member school districts. *St Clair Intermediate School Dist, supra*. Thus, the Court of Appeals properly found that MHSAA is not an agency of its member school districts. That conclusion should not be disturbed on appeal.

D. A Contrary Finding On The Question Of Agency Would Have Far-Reaching Implications For Other Member And Trade Associations.

Plaintiffs continue to argue before this Court that MHSAA is an agent of the school districts. While the impetus for this argument appears to be limited to Plaintiffs' attempt to bring MHSAA under the scope of FOIA, a finding by this Court that MHSAA is an agent of its member districts would have far-reaching and potentially devastating implications for other member and trade associations.

1. Voluntary member and trade associations exist to serve the needs of their members.

Member and trade associations exist to serve the common goals of their members by providing such services as technical education and professional development, facilitating information exchange among members, advocacy on issues of common concern to the members, and, as in the case of MSAE, providing access to group insurance and benefit plans. The information flow between a trade or member association and its members is generally one way: the association exists to provide information to the members, not the other way around.

Membership in a trade or member association is voluntary.

Unlike an agent-principal relationship, member and trade associations generally know little or nothing about the internal workings of their members. MHSAA, for example, does not have to be knowledgeable about the administration or internal affairs of its member school

districts in order to provide services related to the regulation of interscholastic athletic competition. Similarly, MSAE knows nothing about the internal affairs of the associations represented by its member association executives.

2. Voluntary member and trade associations are not controlled by their members.

Significantly, neither member nor trade associations are **controlled** by their members. MSAE, like MHSAA, is controlled by its own board of directors. The board and the board alone, not the members, control MSAE's conduct and activities. This is also true of other voluntary trade and member organizations. MSAE has both attached to and incorporated herein its corporate bylaws to this Amicus Brief as Exhibit C as conclusive evidence to demonstrate that its actions are controlled solely by both its Board of Directors and executive management **and not** its membership.

3. Deeming associations to be agents of their members would have devastating consequences.

Deeming member and trade associations to be agents of their members would have devastating consequences and could mean the end of voluntary membership organizations as they now exist. Namely, 'creating' an agency relationship where none presently exists will (among other things) by its very nature:

- Dramatically increase the insurance premiums assessed against all Associations by their respective General Liability Insurance Carriers.
- Create a risk management nightmare for an Association's Board of Directors and Executive Management that is incapable of being either managed or reconciled.
- Cause an inherent conflict of interest of managerial authority to arise in the Bylaws of every Association.

- Dramatically increase the insurance premiums assessed against all Associations by their respective Directors and Officers and Errors and Omissions Insurance Carriers.

The dramatically increased insurance premiums that will be assessed and underwritten by all insurance carriers that provide coverage to all Michigan Associations would result in such Associations' inability to (i) fund ongoing operations without massive employee layoffs and (ii) continue providing the services that are customarily supplied to Association members. Hence, the arbitrary creation of an agency relationship where no such relationship exists would lead to a catastrophic reallocation of Association funding in order to fund massively increased insurance premiums.

An agent, in order to act for the principal, must have sufficient knowledge to be able to act on behalf of the principal. As discussed above, membership associations typically know nothing about the internal workings of their members. Deeming an association to be the agent of those members necessarily imputes a level of knowledge to the association which the association simply does not have.

Moreover, deeming an association to be the agent of its members would raise issues of responsibility and liability that would be difficult, if not impossible, to overcome. It is black letter law that "a principal is responsible for the acts of its agents done within the scope of the agent's authority," even where the agent's action is contrary to the instructions of the principal or where there was reliance on an agent's apparent authority. *Elezovic*, 259 Mich App at 212. This is so because "the law creates a practical identity" of a principal and its agents, so that the principal "is held to have done what they have done." *Smith v Webster*, 23 Mich 298, 300 (1871), cited with approval by *Cox v Flint Bd of Hospital Managers*, 467 Mich 1, 11; 651 NW2d 356 (2002).

Thus, any decision finding that a voluntary member or trade association is the agent of its members raises the specter of the members, as "principals," being liable for the actions of the association, as their "agent," even though the members have no ability to control or direct those actions. It is reasonable to assume that no organization would voluntarily put itself at risk of being held liable for the conduct of a member or trade association.

The converse is also true. In addition to the liability of a principal for the actions of its agent, the law has long recognized that there are circumstances under which an agent may be liable to its principal. *See e.g. Burton*, 332 Mich at 338-339. Thus, an association could be liable to its members, even though the association generally has no knowledge of and no involvement in the affairs of its members.

Clearly, the risk of such unforeseen and unmanageable consequences would put both associations and their members in a completely untenable position. The great value and assistance that voluntary member and trade associations provide to their members would be significantly impaired, if not rendered impossible, by a finding that the associations act as agents of their members. This Court should therefore affirm the conclusion of the Court of Appeals, and find that MHSAA is not an agency of its member school districts.

RELIEF REQUESTED

For the reasons set forth above, amicus curiae MSAE requests that this Court affirm the decision of the Court of Appeals and find that MHSAA is not an agency of its member school districts.

Respectfully submitted,

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EXHIBIT A

The Economic Impact of
Associations
in
Michigan

Number of Associations in Michigan	845
Full-Time Employees	9,936
Total Gross Payroll	\$292,902,695
Total Annual Budget	\$982,894,950

Economic Impact of Associations in Michigan - Page 2

**Total Annual Budgets
of Associations in Michigan
\$982,894,950**

How Budgets are Spent

	Typical Percent Devoted	Projected Statewide
Payroll	29.80 %	\$292,902,695
Consulting	4.42 %	\$ 43,443,957
Legal	2.34 %	\$ 22,999,742
Accounting	1.40 %	\$ 13,760,529
Printing	5.15 %	\$ 50,619,090
Graphic Design	0.78 %	\$ 7,666,581
Insurance	2.39 %	\$ 23,491,189
Computers	2.31 %	\$ 22,714,873
Staff Air Travel	1.95 %	\$ 19,166,452
Rent	3.23 %	\$ 31,747,507
Other	9.74 %	\$ 95,733,968

Office Space

Rented – 57.9%

Owned 28.4%

Party Owned or Rented ~ 3.8%

Total Square Feet Occupied by Michigan Associations – 3,993,784



Associations Advance America

EXHIBIT B

Chapter

The Unique Nature of Associations

Key Points

- The United States has more than 25,000 national companies or businesses with more than 175,000 state members, while professional, local, and regional, and international associations have individuals as members.
- Trade associations have more than 25,000 national members, while professional, local, and regional, and international, and international associations have individuals as members.
- The unique nature of associations is based on the fact that they are voluntary organizations that are based on shared interests and values, and that they are self-governed by their members.

No other country has an association sector as active and fully developed as the United States. Boasting more than 23,000 national associations at the opening of the 21st century, the United States has institutionalized an impulse that dates back thousands of years. In fact, recent studies of evolutionary psychology argue that the instinct for cooperation constituted an evolutionary advantage and is part of our genetic structure.

The Book of Genesis mentions that members of the same trade or craft tended to congregate geographically. Historians believe that associations existed in ancient Egypt and China, and in Roman times the trades maintained apprentice training agreements and protective regulations. The ancient Phoenician merchants who plied the seas also often banded together to form mutual-aid societies.

These groups undoubtedly bore little resemblance to today's multifaceted trade associations and professional societies. But by the 16th century, organizations had begun to emerge that could be easily recognized as "true" associations. Throughout much of western Europe, merchants and artisans joined together in powerful guilds that governed production, monitored sales, maintained apprentice training programs, oversaw wages and hours, and inspected finished products.

Trade Associations in America

Although guilds existed during the colonial period, they had long passed their zenith of power. In fact, the American public had come to view guilds negatively, thanks to practices such as price fixing, regulation, and suppression of the entrepreneurial spirit. On the other hand, the spirit of cooperative effort characterized the dispersion of the population across the continent. The cooperation of farmers in their communities, the establishment of schools and churches, and the formation of local governments were all evidence of the young country's voluntary spirit.

As guilds slowly disappeared, other kinds of trade associations arose to take their place. For example, 20 merchants founded the Chamber of Commerce of the State of New York in 1768, and it continues to thrive. Its closest competitor for bragging rights as "oldest continuing association" is the New York Stock Exchange, established in 1792.

The formation of trade associations—in which companies or businesses hold membership—continued at a languid pace through the early years of the republic. A spurt of activity occurred during the Civil War years as both the North and the South organized efforts to make the best use of their industrial assets. The period of Reconstruction (1865–1877) that followed saw unprecedented industrial expansion, especially in the railroads; trade associations grew accordingly, reaching about 100 in number.

According to the National Industrial Conference Board, "trade associations began to assume the dignity of definite business institutions" by 1890. In other words, the associations maintained offices, elected officials, and held regular meetings. Although they may have served largely a social function in the latter part of the 19th century, trade associations also lobbied Congress and state legislatures and carried out programs such as quality inspection, standardization, and credit improvement.

About this time, however, trade associations began to exhibit some of the negative aspects of the guilds they had replaced. Monopoly was a common goal among business owners, and their associations engaged in price fixing, production controls, territorial allocation, and distribution management. At the time, American business viewed over supply as a constant threat and favored cooperation among producers as the key to ensuring profits. During the late 19th century, the word "cooperation" would have been defined as limiting the available supply, maintaining a fixed price regardless of demand, and granting exclusivity for distribution of products in geographic territories.

To curb such abuses, Congress passed the Sherman Antitrust Act in 1890. In a series of cases interpreting the act, the U.S. Supreme Court found that information exchanges could further the public interest. The court held that an association could provide price information—but only on past transactions—and that its members could make no agreements to maintain prices based on such information. Furthermore, associations had to make the statistics they'd gathered available to nonmembers, banks, and the U.S. Department of Commerce.

When World War I began in 1914, the United States probably had 1,000 trade associations. By 1920, thanks to industry's rapid mobilization for war and the need for quick, voluntary coordination, the count had doubled to 2,000 (of these, 600 were national in scope). Commenting on this period, War Production Board Chairman Bernard Baruch later said, "Many businessmen experienced during the war, for the first time in their careers, the tremendous advantages both to

themselves and to the general public, of combination, of cooperation, and common action with their natural competitors."

Associations became more professional in the ensuing years, hiring staff members and establishing their own professional society. (The American Trade Association Executives, the precursor to the American Society of Association Executives, was founded in 1921.) Some of the New Deal agencies created during the 1930s, such as the National Recovery Administration, required full-time staff to handle the increasing interaction between business and government.

By the time the United States entered World War II in 1941, associations could contribute significantly to the war effort on the homefront. During the first few weeks of the war, for instance, the Association of American Railroads coordinated the movement of some 600,000 troops. The Council of Machine Tool and Equipment Services indexed suppliers of machinery and parts, enabling defense contractors to quickly locate urgently needed items. Associations also provided technical specialists to government departments, took part in conservation campaigns, and provided a vital link between the government and individual companies.

Development of Professional Societies

Professional societies can trace their roots back to the late Renaissance, when scientific societies were formed to collect and disseminate knowledge. The earliest of these societies, the Academia Secretorum Naturae of Naples, was organized in 1560.

The philosophy of Enlightenment that flowered during the 18th century provided the key to the growth of professional societies, in which individuals held membership. As the division of labor became more pronounced and scholars became more revered, educated people could spend more time delving deeply into their particular field of specialization. They systematically organized and recorded the bodies of knowledge of various occupations for the benefit of future generations. Professionalism in the modern sense had begun to develop.

In the United States, professional societies got a 100-year jump on their counterparts in the trades: Benjamin Franklin founded the American Philosophical Society in Philadelphia in 1743, making it the oldest American scientific society still in existence. Another venerable society, the American Academy of Arts and Sciences (AAAS), got its start in 1780 in Boston. AAAS proved the exception, however. The practical considerations of establishing a new nation so consumed learned men and women that few national professional societies developed in the years after the American Revolution.

The 1840s brought a short spurt of activity, including the founding of the American Statistical Association (1849), the American Psychiatric Association

(1844), and the American Medical Association (1847). Following a hiatus during the Civil War years, professional and scientific societies resumed their growth as urbanization and industrialization provided a fertile breeding ground for new specialties and expanding bodies of knowledge. Professional societies became the de facto guardians of this knowledge, disseminating new information, maintaining standards of professionalism, and serving as research consultants for governments and universities.

The diversity of associations makes it difficult to create a clear set of categories that have no overlap. In general, the term "professional societies" encompasses three types of organizations:

1. Scientific, engineering, or learned societies that strive to advance the body of knowledge in their fields. Such societies are as diverse as the National Council of Teachers of English, the American Society of Clinical Hypnosis, and the Association of Pediatric Oncology Nurses, all of which keep their members up to date on trends and developments in their respective areas.

2. Affinity groups that bring together people who share a common interest outside their area of employment. Examples include the American Philatelic Society and the American Contract Bridge League.
3. Religious, charitable, public service, or fraternal organizations that have a particular cause or belief as a rallying point. Again, the range is large and runs the gamut from the National Council on Aging to the American Lung Association to Delta Upsilon Fraternity.

Modern Associations

Talk to together, trade associations and professional societies of all types TALK together, trade associations and professional societies of all types constitute a pervasive force in American society. Almost everyone joins at least one voluntary association at some time, and hundreds of thousands make their living working in the association sector. Associations are the largest provider of adult education services in the United States and contribute some \$100 billion to the economy each year.

NUTS ABOUT PROMOTION

Do associations really make a difference? Just consider the case of the pecan industry, which lacks a unified voice in the United States. From Virginia to the Southwest, pecan trees can be found in huge commercial orchards as well as Main Street backyards. Some even grow wild in city parks. This abundance of trees means that almost anyone can be considered a pecan grower, even if their tree's annual output totals just a few pounds.

growers of all sizes. The money was earmarked for research and education projects to develop new recipes, increase public awareness, and publicize nutritional information. At the end of the year, the producers would vote on whether to continue the program.

Smaller growers, who together account for about one-third of the total annual pecan crop, rebelled against the assessment. Because of a rule giving one vote to any grower producing at least one pound of pecans per year, the smaller growers overwhelmed their larger counterparts and rejected the plan.

That same year the Almond Board of California, Modesto, launched a media blitz, complete with free samples, seasonal recipes, and nutritional information. The association lined up a nutritionist to appear on radio talk shows and supplied media personnel with story ideas, glossy photos, and sample interview questions. Says one announcer who had a radio nutrition show at the time, "I used the stuff from the almond people a lot. They always had good information, and they were very professional to work with."

And the pecan people? She pauses, thinking hard. "I don't remember ever getting anything from them . . ."

According to statistics gathered by the American Society of Association Executives (ASAE) in 2000:

- The United States has more than 23,000 national; more than 116,000 state, local, and regional; and 1,300 international associations.
- Nine out of ten adult Americans belong to one association; one out of four belongs to four or more associations.
- Associations employ approximately 295,000 people in the United States.

The Internal Revenue Service (IRS) classifies different types of not-for-profit organizations under Section 501(c) of the U.S. Tax Code. The majority of business-related organizations fall into the 501(c)(6) category, while some professional societies opt for 501(c)(3) status as a charitable organization and other groups for 501(c)(4) status as a social welfare organization. (Note: This book does not address labor unions, private foundations, hospitals, churches, or volunteer-based charitable organizations that provide direct human services.)

Outside the IRS codes, it's not always easy to draw distinctions between cause- or health-related organizations. For example, should you categorize a cause group, such as the American Heart Association or the American Cancer Society, as an association? Such organizations do much of their work at the local level and, like traditional charities, focus on activities such as direct-mail fund raising, development of major gifts, service delivery, and research support. But in their governance, where volunteers help make decisions on a wide range of specialized issues, these organizations are frequently more akin to (c)(6) associations than (c)(3) local charities.

Frequently charitable organizations, like wine associations, appear to be

associations with a common interest. For example, United Way of America comprises neither businesses nor individuals but rather local United Way affiliates. But the United Way's board of directors functions in typical association fashion, although its structure may be more diverse, with representation from major corporations as well as state and local United Way or Community Chest organizations.

Comparisons to Business

Comparing associations to businesses can clarify their roles and provide a better understanding of their unique nature. Here's how the two differ:

- Size. All but the very largest associations would be considered, at best, small businesses. In fact, only five of the 50 largest associations report revenues of more than \$50 million, the generally accepted cut-off point for small businesses. Rarely do associations get past that point and enter the realm of the mid-sized business.

ASSOCIATIONS TODAY

National associations in the United States are classified as follows:

Trade, Business, and Commercial	4,005
Environmental and Agricultural	1,146
Legal, Governmental, Public Administration, and Military	395
Engineering, Technological, and Natural and Social Sciences	1,136
Educational	1,320
Cultural	1,920
Social Welfare	1,964
Health and Medical	2,512
Public Affairs	2,094
Fraternal, Nationality, and Ethnic	584
Religious	1,220
Veterans, Hereditary, and Patriotic	.897
Hobby and Avocational	1,579
Athletic and Sports	.825
Labor Unions, Associations, and Federations	250
Chambers of Commerce and Trade and Tourism	143
Greek and Non-Greek Letter Societies, Associations, and Federations	.313
Fan Clubs	.526

Source: *U.S. Yearbook of Associations*, 15th edition (1991).

- Mission. A business has a clear and defining purpose: profitability. An association's reason for being, however, might be conducting research, fostering public service, representing private interests to government, or educating the public—all of which are tax-exempt purposes.
- Structure. Businesses typically have a pyramid-shaped hierarchy that lends itself to an easy explanation of levels of authority, decision making, responsibility, and so forth.

In associations, power is much more diffuse. Although their paid staff members may be organized along a typical (though flatter) organizational chart, associations also must contend with myriad volunteer governance structures. These may include a house of delegates, a board of directors or trustees, committees and subcommittees, councils, special interest groups, and so forth. As a result, the interaction among association staff and volunteers can become quite complex.

To survive, both businesses and associations must consider the environment in which they operate and the trends that are likely to affect them in the future. But while businesses can concentrate on the nature of what they do, associations must balance both the future of the trade or profession they represent and the future of the organization itself.

- Markets. A for-profit business has no set limits when defining its customers. As products mature and markets evolve, businesses have both the incentive and the flexibility to follow wherever those changes may lead. As Kellogg's "Tony the Tiger" ad campaign shows, a cereal product that was successfully targeted to the "baby boomers" when they were children can now be retargeted to them as adults.

On the other hand, associations are strictly defined by their primary market—the individuals or the companies in a given field that pay membership dues in exchange for information and services. Associations may also provide goods and services to individuals and companies other than their members—but there's no question that members form their core market. The Masking Tape Manufacturers Association, for instance, could probably not metamorphose into the Tape, Disk, and Billboard Society, no matter how lucrative some of those areas may appear. Still, as members and their products and services evolve, associations must respond to change or slowly fade away.

Beginning in the late 1980s, in response to economic pressures, businesses, institutions, and individuals became more bottom-line driven. In addition to demanding that their associations become "more businesslike," members now are less amenable to dues increases and carefully evaluate the value of membership. This approach to membership pressures associations to keep dues low and seek other sources of revenue (nondues income).

EXPANDING MARKETS

Having a well-defined market doesn't necessarily mean that associations remain static or stay away from new ventures or new nonmember customers.

A case in point is the Building Owners and Managers Association (BOMA), Washington, D.C., which quickly prepared educational materials to help its members understand and comply with the complexities of the Americans with Disabilities Act of 1990. As news of the materials spread, BOMA discovered that other businesses and associations also wanted a handy guide to the legislation and successfully broadened its marketing campaign for the publication.

Another example of expanding beyond an association's traditional market comes from the Annapolis, Maryland-based U.S. Naval Institute, a group of people involved in the arcana and technicalities of shipping and ship construction. When the institute received an unknown author's fast-paced fiction manuscript that also exhibited a keen grasp of naval operations, it quickly determined that the book would appeal to more than just engineers and retired officers. The gamble to publish its first work of fiction paid off handsomely for the institute: *The Hunt for Red October* became a best-seller in 1984 and made author Tom Clancy a household name.

In response, just under one in five associations (17 percent) has created a wholly owned, for-profit subsidiary. Three considerations typically prompt this strategy. First, to the extent that the revenue-generating activities are unrelated to the association's underlying mission, a separate subsidiary can help protect the parent organization's tax-exempt status. Second, a for-profit subsidiary can permit a more businesslike decision-making structure and allow the association to quickly introduce a product or service into the marketplace. Third, the subsidiary may provide some protection from liability. Most often, subsidiaries engage in activities related to insurance/employee benefits, group purchasing, publishing, and financial services.

As their name implies, associations create a sense of belonging among practitioners of a profession or managers of an industry. But the uniqueness of associations really rests in their members' strong feelings of ownership and involvement in decision making. The people and corporations that call themselves members believe they can make themselves heard and effect change within and through their trade association or professional society.

As long as associations continue to engender a sense of belonging and feelings of ownership, they'll maintain their place in American society as examples of the power of volunteerism and the democratic process. This unique sector will also continue to provide challenges and opportunities for those who find themselves in management roles within it. ■

THE AMERICAN ASSOCIATION FOR THE ADVANCEMENT OF SCIENCE

*The Value of
Associations
to American
Society*

THE VALUE OF ASSOCIATIONS

Executive Summary of
The Hudson Institute
Report

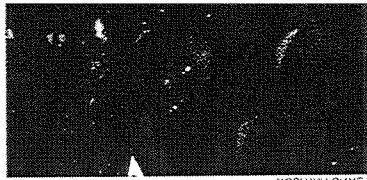
Within hours of the great earthquake that rocked the San Francisco area in October 1989, dozens of state and national associations were busy planning relief efforts in cooperation with government services. The California Trucking Association, West Sacramento, quickly set up a network to identify serviceable roads and put out an emergency call for water trailers and other life-saving equipment.

When cyanide-laced Tylenol killed seven people in September 1982, The Proprietary Association, Washington, D.C., an organization of nonprescription, over-the-counter drug manufacturers, stepped in to identify new methods to reduce the possibility of package tampering. Three days after the deaths, the association had established a joint committee in conjunction with the U.S. Food and Drug Administration (FDA) to work on federal regulations to require tamper-

*Highlights of the
Hudson Institute
Report*

ASSOCIATIONS ADVANCING AMERICA

* * * on * *
* The Value of *
* Associations *
* to American *
* Society * * *



DAVID HATCHCOX

resistant packaging. A month after the tragedy, the FDA accepted the association's proposed regulations requiring tamper-resistant packaging for over-the-counter capsules, liquids, tablets, and suppositories.¹ Associations are one of the largest and most powerful forces in the United States today, yet they are also among the least visible. Representing an enormous collective presence, associations impart social and economic benefits that touch each of us every day. But because the work of associations is often done quietly and behind the scenes, public perceptions vary widely about what associations are, what they do, and what contributions they make. The value of these organizations—comprising trade associations, professional societies, and health-related and

advocacy groups—is the subject of this report.

CREATING BROAD BENEFITS

From the work of associations flow significant benefits to society. This public value springs largely from associations' tending to their members' collective self-interests; that is, as associations serve the members, benefits of wider value accrue. For example, through an association, successful practices in one hospital may be adopted in others, thereby raising hospital conditions overall. Such diffusion of technological innovation and information results in improvements that better serve patients and the public in general.

Were it not for associations, other institutions would face added burdens in the areas of product performance and

safety standards, continuing education, public information, professional standards, ethics, research and statistics, political education, and community service. The work of associations is woven throughout the fabric of American society, and the public has come to depend on the social and economic benefits that associations afford. These broad benefits are:

1. Associations educate their members on technical and scientific matters, business practices, and legal issues, thereby elevating the quality of publicly delivered goods and services. In many industries, professions, and causes, associations are the only source knowledgeable enough to provide continuing education.
2. Associations play a prominent role in setting professional, performance,
- and safety standards, ethical canons, and other guidelines, all of which help reduce marketplace risks consumers face.
3. Associations develop and disseminate valuable information that would be otherwise unavailable. It is used by policy makers, regulators, researchers, and consumer groups, among others, to enhance a broad understanding and analysis of the American economy.
4. Associations provide generic information to inform the public about the efficiency, qualities, and safety of products and services, thereby bolstering public confidence in the marketplace.
5. By offering strength in numbers and disseminating useful information, associations ensure representation of many private interests before government. This role is central to the successful

Hudson Institute

Estimates of the total number of U.S. associations reach well above 100,000. Their value to society is more than the billions of dollars they spend and the multitudes they employ. Their most significant impact is in the areas of education, product and safety standards, professional standards and codes of ethics, public information, research and statistics, political education, and community service.

functioning of American democracy.

6. Associations nurture healthy political conditions within the country by exercising and supporting political choice. In so doing, associations offer opportunities for honing individual political skills and training leaders.

7. Through community service, associations call forth extraordinary amounts of volunteer labor. Associations mobilize and train these volunteer forces, thereby developing, giving expression to, and focusing public attention on the strength of the American spirit.

Most associations exist to serve their members. Trade associations, for example, represent a group of firms having a business or trade in common. Professional societies serve individuals who share a common

professional interest or background. Some associations, such as health-related or advocacy groups, represent an interest or point of view. The various ways in which associations serve their members are far too numerous and diverse to catalogue here. However, member benefits may be broadly characterized: Associations collectively serve those interests of members which cannot be met effectively by individual action;

associations communicate important events, findings, and trends in a business, profession, or cause; associations offer producers, including practitioners, a collective presence to buyers.

SHARPENING THE FOCUS
To sharpen the public's image of associations, the American Society of Association Executives (ASAE) determined the

economic data and study, for a response rate approaching 20 percent. This response rate was sufficient to yield results at a high confidence level.

Additional information was obtained by Hudson Institute researchers through a review of the association literature and relevant scholarly material, discussions with approximately 50 association executives, and attendance at association executives' meetings.

The summary presented here highlights the areas of value stressed in the study. It does not include a discussion of the ways in which association activities can be imperfect; these are considered in the full report, along with the balance between value and detriment.

skeleton supporting the enormous body of activity and contributions of the hundreds of thousands of associations in the United States.²

THE SURVEY

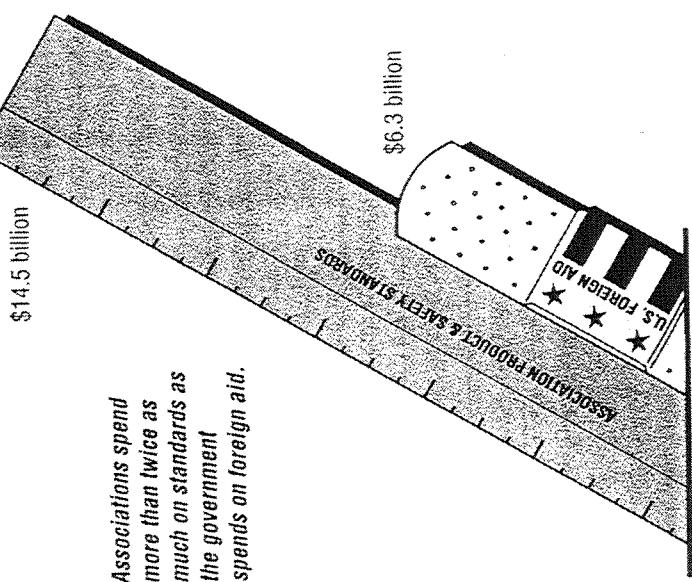
The universe of surveyed associations was drawn from ASAE's listings of individual members and prospective members for whom adequate demographic data existed. The list comprised three major strata—trade associations, professional societies, and health-related or advocacy groups.

The final sample included 5,500 associations, each of which received a questionnaire mailed in February 1989 that sought data for the current budget year. Of these, 2,836 questionnaires were returned. Completed questionnaires of 505 associations were used in forming the



ADVANCING SAFETY, HEALTH, AND QUALITY

Voluntary standards constitute perhaps the most significant area of standardization in this country. Associations make large contributions in setting, certifying, and meeting product standards that specify safety and performance requirements. Last year, for example, the association members surveyed spent an astonishing \$14.5 billion to meet these voluntary rules. A massive sum by anyone's standard, this figure suggests quite forcefully just how seriously the business and professional communities in this country take their responsibilities.



Standards also provide important information that would not be available in their absence. For example, due to the combined efforts of the American Society for Testing and Materials (ASTM), Philadelphia, and the Juvenile Product Manufacturers Association, Moorestown, New Jersey, consumers can now purchase babies' high chairs with confidence that the chairs have passed safety tests for strength, restraints, and sturdy assembly.

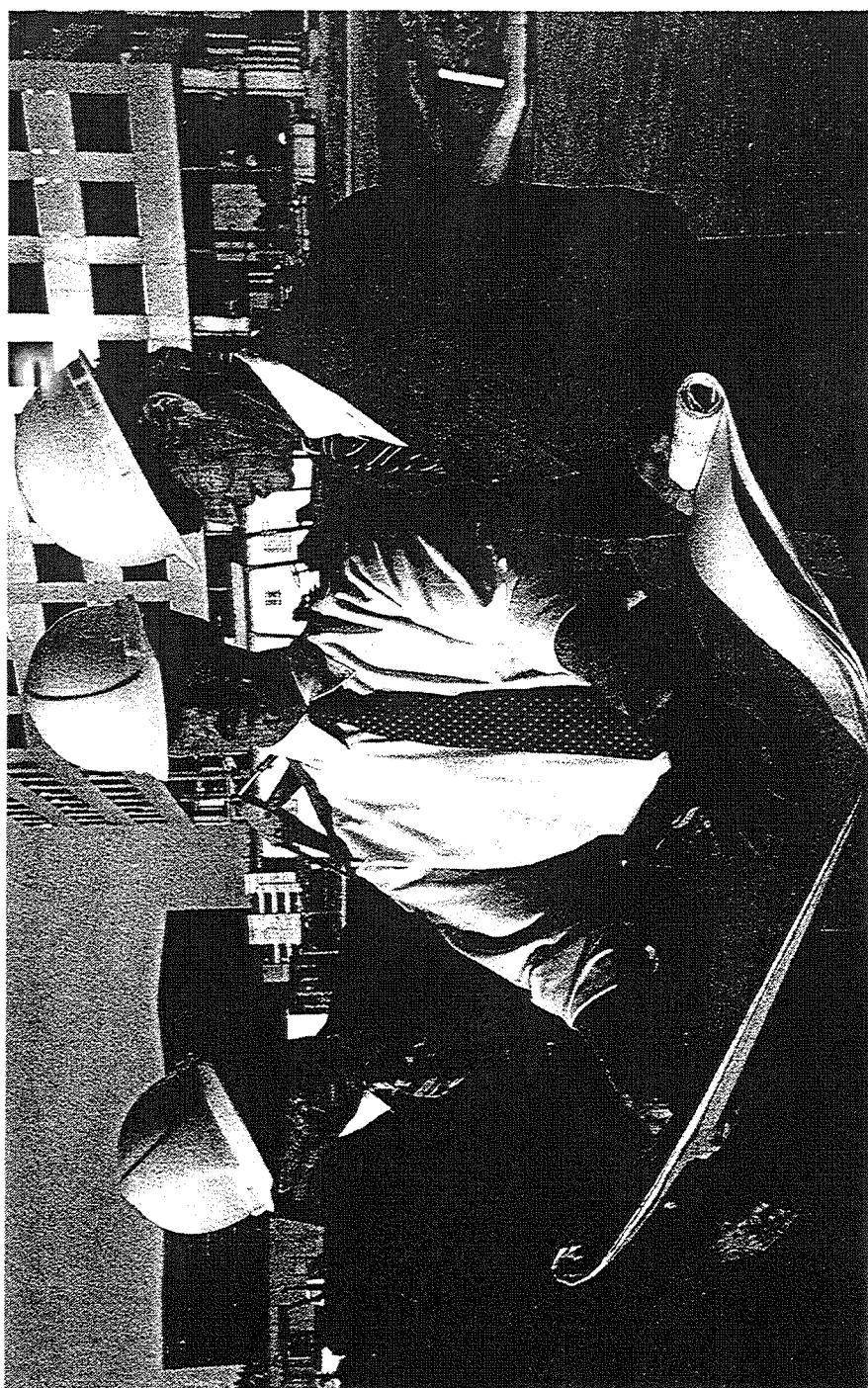
As another example, two huge associations are devoted exclusively to standards setting—ASTM and the American National Standards Institute, New York City. ASTM standards alone touch virtually every significant area of American industry.

Voluntary standards set under the auspices of associations are generally

to be preferred to government regulations because they are more flexible and adaptable; cost less; preserve the essential tie between the standard and the technical expertise on which it draws; and place the responsibility for adherence or nonadherence, success or failure where it belongs—with the producers and the consumers.

Voluntary standards also help ensure the compatibility and interchangeability of products and parts, allowing goods to be used efficiently and parts to be standardized across manufacturers.

Voluntary standards



ADMASMI/HWOOD/PN/CM/P

Building codes, aircraft maintenance standards, and bursting strength tests for packages are all part of the product and safety standards created by associations. Virtually all standards or guidelines for safe use of a product are born in associations — from the American Welding Society's technical standards for acceptable welds to the American Red Cross's requirements for the safe handling of blood products to the American Dental Association's familiar seal of acceptance for products which have "been shown to be an effective decay-preventive dentifrice that can be of significant value"

EDUCATING WORKERS AND THE PUBLIC

Education constitutes perhaps the most important of all association activities. Indeed, the public's interest in the education of association members may be as great as the interests of the members themselves—for by improving members' performance, associations elevate the quality of products and services. Through educational offerings, associations translate general theories and principles into concrete practices in industries and professions, fill gaps in technical education, and provide instruction in management techniques.

Associations spend more on higher education than all the states except California.

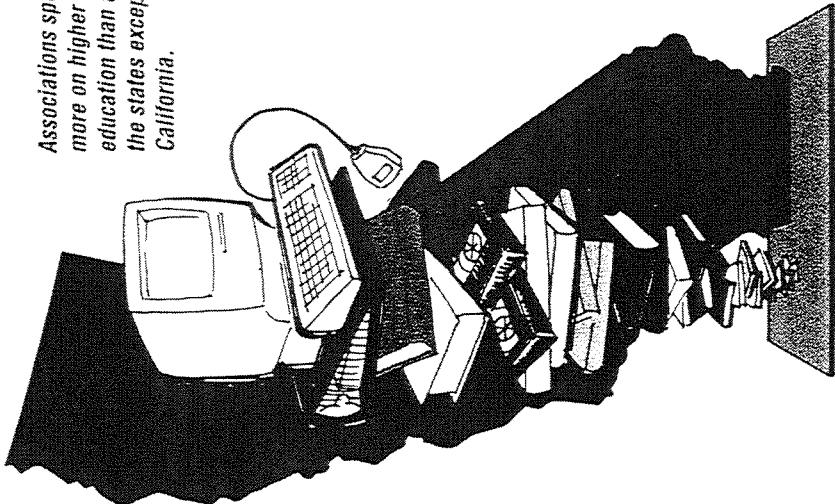
These educational offerings run the gamut from general, theoretical courses to highly targeted instructional materials to widely disseminated public information. The American Academy of Facial Plastic and Recon-

structive Surgery, Washington, D.C., for example, offers nearly 200 videotaped courses ranging from special surgical faciliti techniques to head and neck surgery. Many health-related organizations, such as the American Heart Association, headquartered in Dallas, Texas, and the American Cancer Society, headquartered in Atlanta, Georgia, concentrate almost exclusively on informing the public about specific health risks, disease prevention, and symptoms indicating the need for treatment.

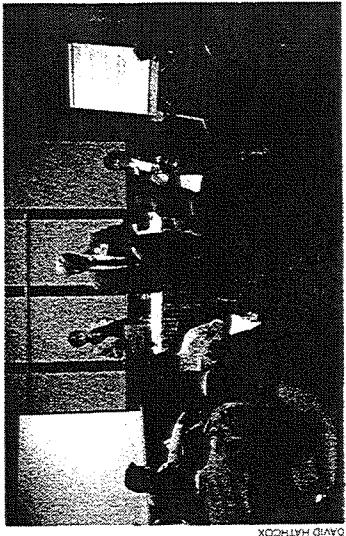
Nearly 90 percent of the surveyed associations offer education programs and services to their members, and more than 71 percent disseminate public information. Association members spend nearly \$5.5 billion annually on educational offerings their associa-

tions organize, require, or facilitate. The members of the professional societies surveyed alone spent approximately \$3.1 billion for education in 1989. Of all the states in the nation, only California spent more than that to support higher education. Adding public education, the total association contribution to education approaches \$8.5 billion a year.

In a world undergoing extraordinarily rapid technological change, the need for continuing education is obvious. Associations meet a significant portion of that need as they strive to help their members learn vital techniques, skills, and knowledge necessary to successfully conduct their work as individuals and as members of an industry or profession.

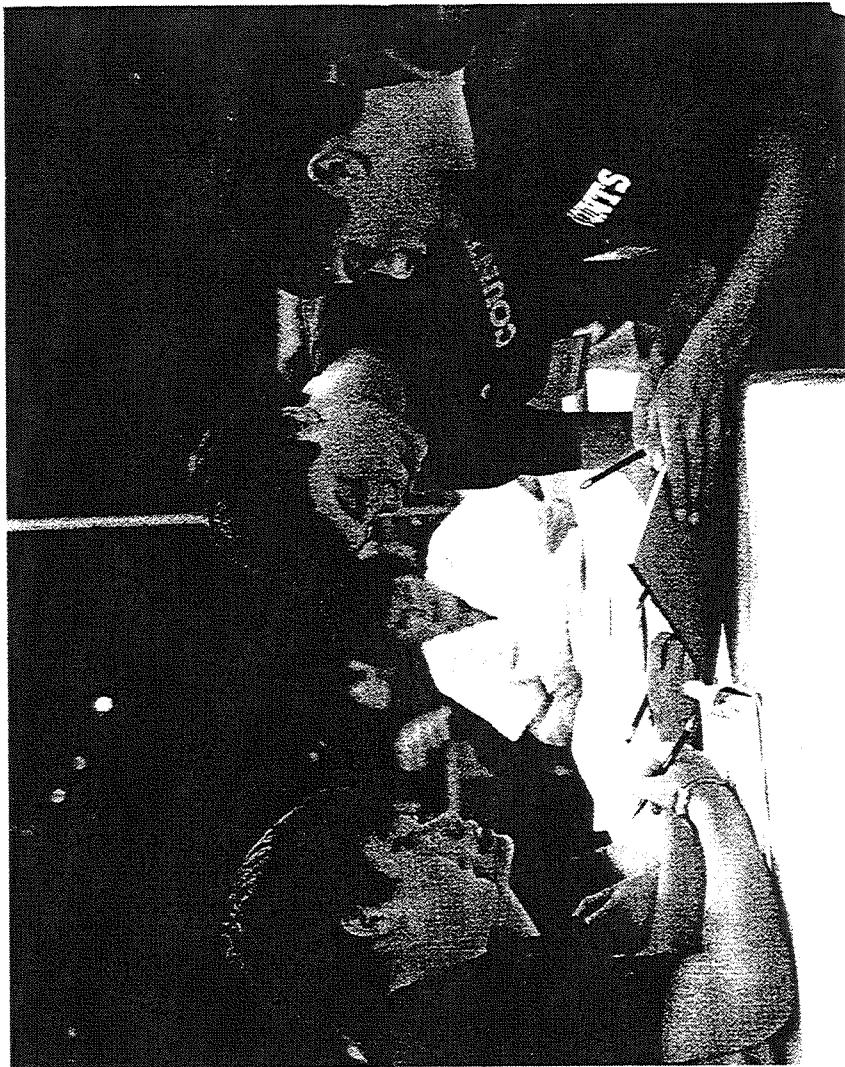


Almost 90 percent of the associations surveyed offer education programs. In many industries and professions, associations offer the best — and in some cases, the only — form of continuing education and skill development. Seminars, workshops, conferences, trade shows, audio and videotapes, and interactive computer courses are among the many delivery systems for specialized education.



DAVID HARTHOOR

Education is the most important activity for many associations whether it's directed outward toward the public or directed inward toward an industry or profession. MATHCOUNTS, a national mathematical competition among junior high school students, developed and sponsored by the National Society of Professional Engineers (right), refocuses attention on the importance of math by encouraging achievement in this most essential subject.



NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS

AIDING EXEMPLARY CONDUCT

Professional standards—certification, accreditation, and licensing—address the entire scope of professional competence. Professional standards increase public trust. They assure citizens that the professionals they employ have reflected thoughtfully about their practices and ensure that professionals with

identical titles deliver roughly similar services. Some professional societies, such as those representing medicine, the law, and accounting, grew up around the need to develop and enforce standards. Almost 24 percent of the surveyed professional societies set professional standards and 15 percent certify that these standards are met.

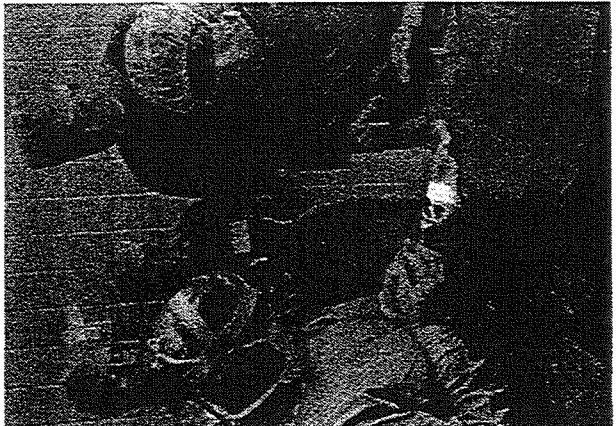
While the seed of professional expertise is sown in undergraduate and graduate training and state licensing procedures, associations fertilize and nurture the professions by encouraging the peer review process, by offering courses that meet legal requirements, and by issuing standards that often form the basis for disciplinary action.

Association codes of ethics also augment the public's trust and confidence in products

and their producers, particularly in the many areas where consumers lack sufficient knowledge to make fully informed purchasing decisions.

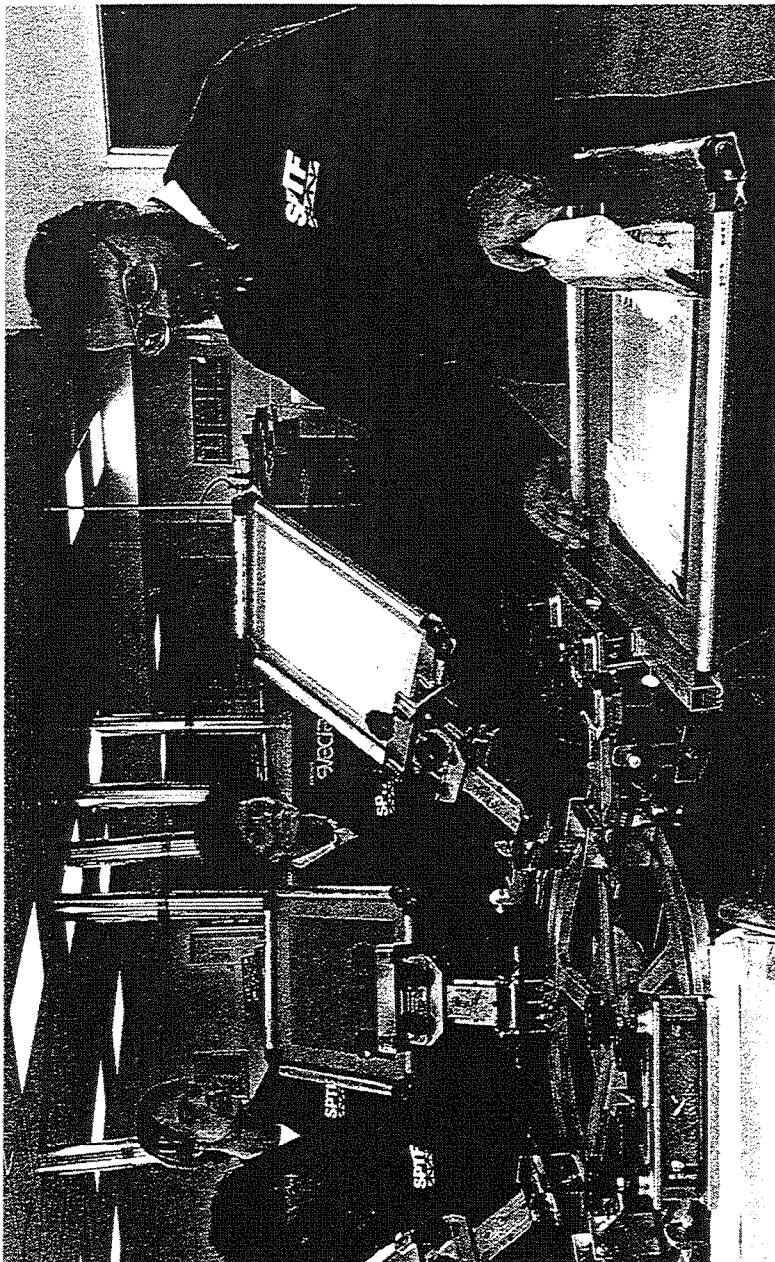
Almost one-third of the associations surveyed earmark funds annually to set codes of ethics, with 17 percent making appropriations for enforcement. These codes also identify harmful practices and broad positive motives, thereby enhancing consumers' trust in those who produce goods and render services. The practice of setting ethical codes establishes opportunities for deliberating on moral values, considering injunctions, reflecting on responsibilities, and focusing thoughts. And, by providing occasion for such reflection, codes of ethics are apt to affect members' behavior in other spheres of life.

Codes of ethics are crucial to the very functioning of many professional societies such as those for doctors, dentists, attorneys, public relations practitioners, journalists, educators, and government officials. These professionals are bound by the canons contained within their association's bylaws.



AUSTIN PLASTIC SURGERY FOUNDATION

Two-thirds of all associations gather and analyze statistical data and conduct research. Many organizations rely on reports by associations as the most reliable data available. Other research often directly benefits an association's members such as that conducted by the Screen Printing Association International and its foundation (left) in its Fairfax, Virginia facility where it studies factors such as weatherability, safety and health, and color imagery of new inks.



UNEARTHING NEW DATA

and help identify new directions for social improvements. Nearly 65 percent of the associations surveyed gather statistics and facilitate or conduct research.

Many institutions, including the federal government, depend heavily on associations for their statistical information. Because these statistics embody key facts about profits and expenditures within an industry, they frequently govern intelligent

gent public and investment policy affecting that industry.

In addition, statistics enable businesses to compare their output, productivity, and costs. These figures help association members to manage their activities better because they provide benchmarks for comparisons and excellence leading to improved performance.

Research is central to the very mission and definition of the profes-

sions and health-related groups. Usually disseminated through a journal published by the association, research findings set important new directions and define the scope, standards, and trends within a field.

Association-sponsored research is conducted in all major areas receiving public attention, including the environment, product safety and efficacy, employment, and a huge array of social issues.

Among the most wide-ranging of association activities, conducting research and gathering and analyzing statistical information enable businesses and professions to function efficiently, offer information not available elsewhere,

NURTURING THE POLITICAL PROCESS

In one of the most surprising findings of the study, trade associations spend only about 10 percent of their total annual expenses on political education, professional societies less than 2 percent, and health-related or advocacy groups approximately 3 percent.

U.S. public policy always results, to some degree, from insistent private representation and requests. So that public policy broadly represents many interests, without any one dominating, the political interplay of associations is necessary to counter other interests before elected officials.

Associations also provide information to Congress and officials of the executive branch on the potential effects of legislative or regulatory proposals on members. Associations' political

efforts forcefully remind elected officials of their constituencies' wishes by providing an arena in which members mobilize and a forum in which they express their opinions.

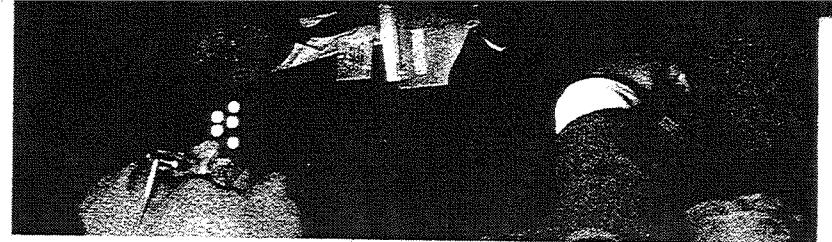
The American Association of University Women, Washington, D.C., for example, is heavily involved in legislative efforts ranging from educating members in lobbying techniques to support of federal bills on child care, family leave, and pay equity. Due to the legislative work of the Florida chapter of the National Association of Social Workers, Tallahassee, the state enacted a law in

1982 to license mental health professionals and in 1987 created a state board to administer licensing of clinical social workers, marriage and family therapists, and mental health counsel-

ors. The Chemical Manufacturers Association, Washington, D.C., was deeply involved in the legislative and regulatory process leading to the current "Superfund," a federal law that equitably

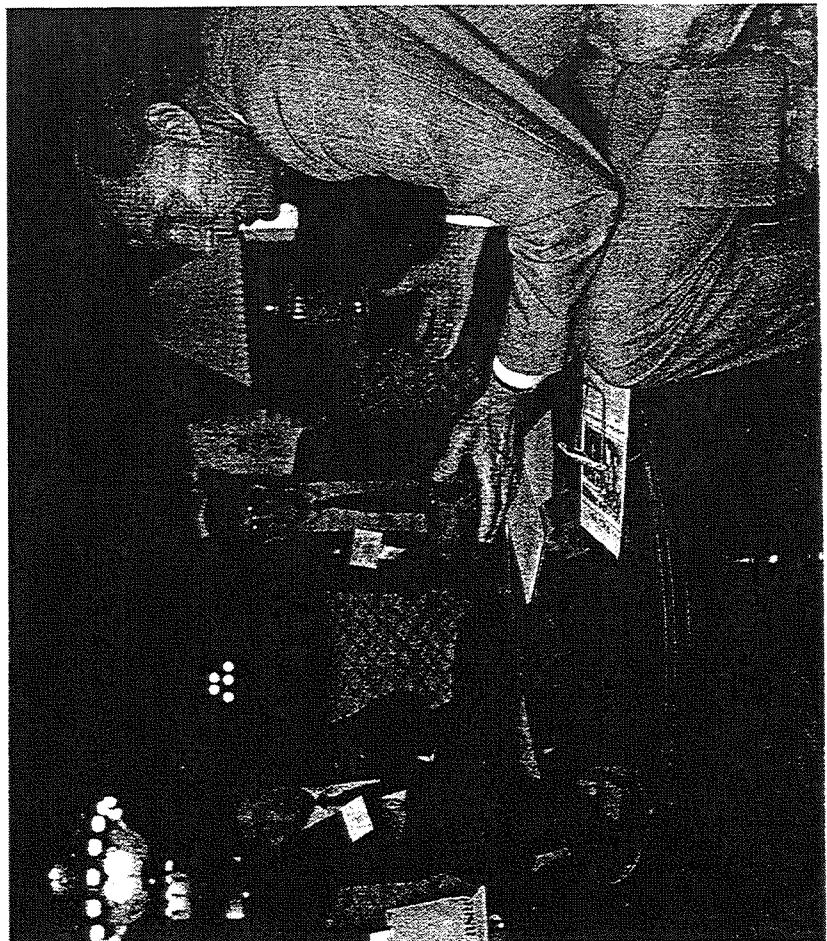
spreads among various industries the responsibilities for cleaning up hazardous wastes from hundreds of sites across the country.

Finally, the political activity of associations frequently serves as a training ground for members by developing the abilities necessary to participate on a wider political spectrum at national and local levels.



Tom Kochel

One of the fundamental functions of many associations is to provide a unified voice on legislation and regulations affecting a particular industry or profession. Lawmakers rely on associations for information and recognize that intelligent decisions involving complex issues require input from a variety of associations and cause-oriented groups. For many associations, political education consists not of influencing pending legislation, but of explaining new regulations and guidelines to their members. However, associations spend a small amount of their expenditures (less than 10 percent) on political education.



REACHING OUT TO OTHERS

Associations have been at the vanguard in the recent call for increased voluntary service.

Frequently, associations mobilize volunteers in areas of expertise tied closely to the trade, profession, or cause they represent by drawing on their members' special talents to meet social or economic needs. In recent years, for example, associations have united their members' talents to help alleviate hunger, educate the public about drug and alcohol abuse, promote literacy and other educational programs, find missing children, improve the condition of health care facilities, provide eye care to the poor, offer medical aid to the homeless, alleviate the anxiety and boredom of hospitalized children, offer fire safety education, aid tornado victims, and help reduce

a state budgetary deficit. All of these efforts were tied directly to the associations' and members' specific expertise.

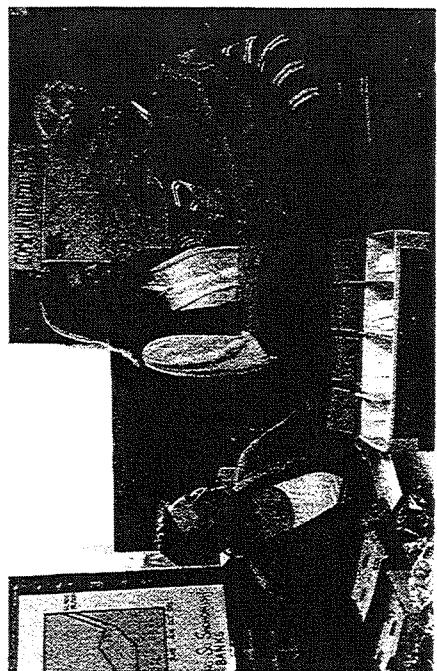
The national service group, Kiwanis International, Indianapolis, recently concentrated its efforts on a public campaign to fight drug use. To disseminate its anti-drug message, the group used 500 prime time network airings of a public service announcement, a 14-week radio series, advertising in *Time*, *Newsweek*, and *Sports Illustrated*, and \$500 billboards. The advertising alone was worth more than \$15 million.

The Grocery Manufacturers of America, Washington, D.C., has united its members with Second Harvest, a national network of food banks, to organize the donation of more than 100 million pounds of

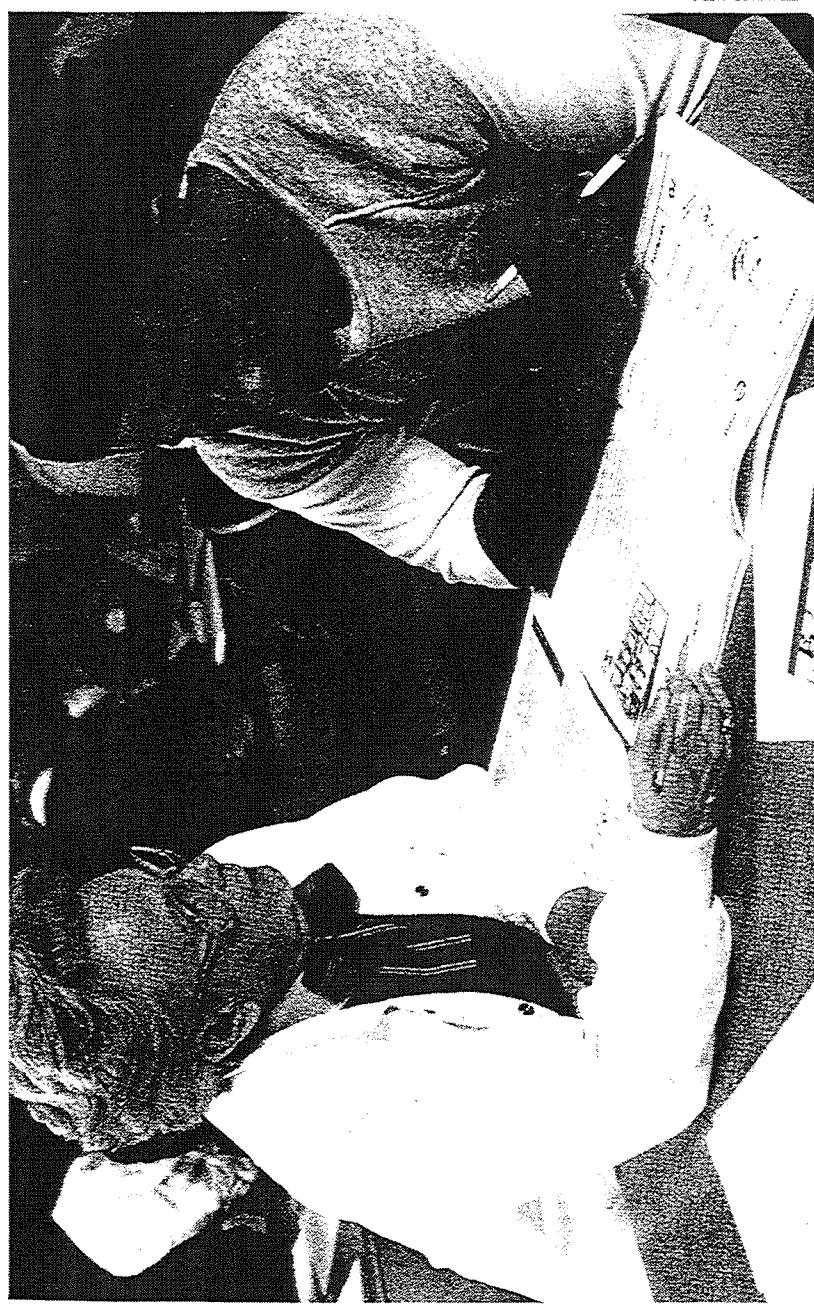
food and groceries annually. This community service has multiplied Second Harvest's original distribution forty fold.

Other associations work to enhance the public good through efforts beyond their specialties. Examples include educating Americans about the importance of the Constitution, offering education in citizenship, helping Americans learn to vote by absentee ballot, providing retraining programs for workers displaced from declining industries, and giving support to battered and abused women and children.

These examples of community service set a ripple effect in motion by training public attention on the value of stewardship.



UNITED WAY OF AMERICA



The special ability of associations to mobilize their members as volunteers in service to communities across the country is being used to combat drug abuse, illiteracy, homelessness, crime, teen pregnancy, and many more of society's challenges. For example, the American Association of Advertising Agencies founded a program called Media Advertising Partnership for a Drug-Free America that features \$500 million worth of time annually for free TV and radio commercials as well as print ads. Associations and community service are a natural combination and are often paired as the first line of communication and organization after a disaster. Several associations are involved in local community food banks such as Second Harvest and other groups that accept unused food from conventions and meetings. Other associations actually run community service programs, such as the Medical Association of Atlanta, which operates a clinic for homeless people.

MOVING THE ECONOMY

OVERALL ECONOMIC IMPACT	
<hr/>	
\$ 14.5 billion on standard-setting	
\$ 9.7 billion to conduct operations*	
\$ 5.3 billion on education and training	
\$ 3.3 billion worth of volunteer time	
\$ 15 billion in effects beyond direct expenditures	
\$ 48 billion	

*Includes \$2.5 billion of education related costs, i.e., speaker fees, food, promotion.

The numbers presented in the report reflect only the survey's universe of associations which met a series of criteria, and have not been extrapolated to the full association community. Gales Encyclopedia of Associations lists 23,000 national associations, and an additional 64,000 associations at the state, local, and regional levels which includes all types of associations, but not their chapters.

figure roughly equal to or greater than the employment rolls in such major U.S. industries as steel, office and computing equipment, communication equipment, or the airlines.³ Adding volunteer hours, the surveyed associations are responsible for an additional 170,000 full-time positions, representing a grand total of approximately 670,000 full-time people.

■ almost \$9.7 billion in direct cash outlays to offer services and administer operations;

■ \$3.3 billion worth of volunteer time (conservatively valued at \$10 per hour) proffered to conduct association activities, including community service;

■ \$19.9 billion that members spent on education and training or on setting and meeting professional and product standards; and

■ \$15 billion on multiplier effects in local communities.

The associations surveyed employ almost one-half million full-time equivalent employees, a

■ associations command enormous financial and human resources. The associations surveyed spent almost \$48 billion directly or indirectly in 1989. Broken down, this figure represents

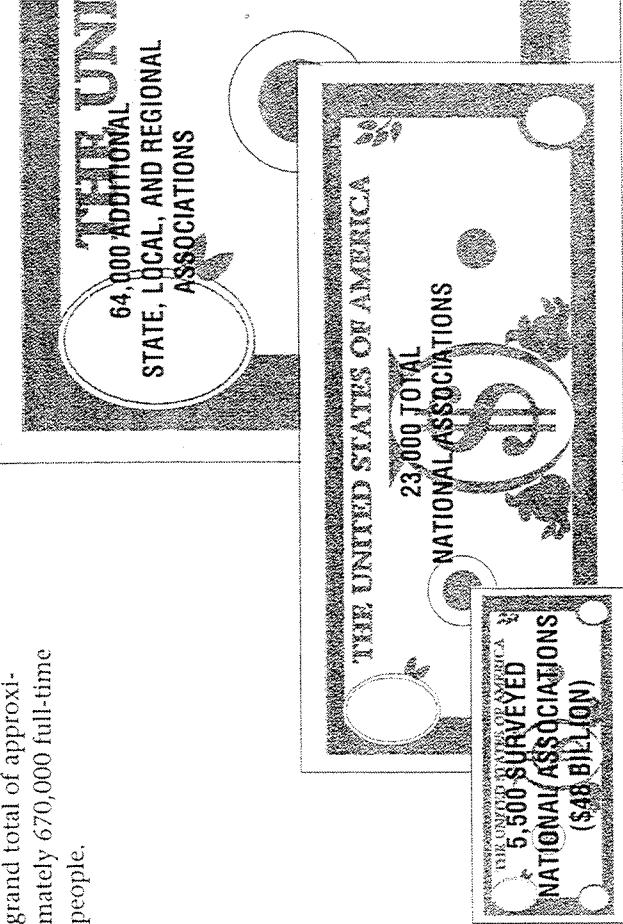
■ almost \$9.7 billion in direct cash outlays to offer services and administer operations;

■ \$3.3 billion worth of volunteer time (conservatively valued at \$10 per hour) proffered to conduct association activities, including community service;

■ \$19.9 billion that members spent on education and training or on setting and meeting professional and product standards; and

■ \$15 billion on multiplier effects in local communities.

The associations surveyed employ almost one-half million full-time equivalent employees, a



IMPROVING AMERICA

By working for and through their members, associations produce positive synergistic effects on society. Association ethical and professional standards provide information that enhances consumers' trust in goods and services. Association product standards help improve the quality and interchangeability among products and parts. Association education and research improve techniques and augment knowledge. Associations' involvement in the political process helps to effect prudent public policy. Associations put tens of billions of dollars into the American economy every year. Associations help those in need through direct community service of immeasurable value.

In all of these examples, the responsible

collective interests of association members—in advancing their knowledge, improving their products, increasing their professional skills, and enhancing their legislative standing—provide benefits to the public. With roots in ancient civilizations and ties to Old World guilds, associations today have evolved to occupy a unique place in America. The Puritan influence, America's geographic expanse, and her struggle for political freedom fostered independence and individualism within U.S. associations, tightly weaving them into the nation's social fabric and uniquely distinguishing them from associations of other nations.⁴

In 1830, French statesman and author Alexis de Tocqueville observed that "Americans of all ages, all stations of life, and all types of

dispositions are forever forming associations. There are not only commercial and industrial associations in which all take part, but others of a thousand different types—religious, moral, serious, futile, very general and very limited, immensely large and very minute."⁵ Reflects Lee VanBremen, CAE, executive vice president, College of American Pathologists, Northfield, Illinois,



JIM PICKEREL/CHARTERGRAPH

In de Tocqueville's eyes America was already a nation of associations by the early nineteenth century. We learned early on that by joining with others we could accomplish what we could not do by ourselves. Associations became a natural handmaiden to our individualism. Today associations confront and meet daily challenges to respond to members' needs, to protect members' interests while promoting the social good, and to preserve the idealism that is so vital to the progress of society.⁶

NOTES

1. Hugh B. Vickery III, "It's the Press. There's a Crisis. What Now?" *Association Management* (March 1983): 47-51.
2. *The Encyclopedia of Associations 1990* (Detroit: Gale Research, 1989) lists approximately 90,000 associations. The Internal Revenue Service approximates the number of tax-exempt organizations in the United States at nearly 960,000; most of these are associations.
3. U.S. Bureau of the Census, *Statistical Abstract of the United States: 1989*, 109th ed. (Washington, D.C.: U.S. Government Printing Office, 1989), 399, 401.
4. Lee VanBremen, "The Theory of Associations," in *Attracting, Organizing, & Keeping Members*. Edited by Wilford A. Butler. (Washington, D.C.: American Society of Association Executives, 1989), 2.
5. Alexis de Tocqueville, *Democracy in America* (New York: Vintage Books, 1954), vol. 1.
6. VanBremen, *Attracting, Organizing, & Keeping Members*, 2.



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of the American Society
of Association Executives

EXHIBIT C

MSAE BYLAWS

ARTICLE I - NAME

THE NAME OF THIS ORGANIZATION SHALL BE THE MICHIGAN SOCIETY OF ASSOCIATION EXECUTIVES (MSAE).

ARTICLE II - PURPOSE

The purpose of this organization shall be to promote association management as a profession and to educate members and the public in the advancement, improvement, and uses of voluntary associations. Toward this end MSAE shall: (1) develop and encourage high standards of professional conduct among staff members serving trade, technical, business, and professional associations; (2) provide opportunities for study and the exchange of experience and expertise in the field of association management through meetings and publications; (3) acquire, preserve, and disseminate data and information on the functions and accomplishments of voluntary associations; and (4) consistent with the public interest, and subject to prior approval of the Board of Directors, take positions and express opinions on issues directly and generally affecting voluntary associations.

ARTICLE III - MEMBERSHIP

Section 1. Qualification: Membership in MSAE shall be open primarily to persons employed by voluntary business, trade, professional, technical, educational, philanthropic, or similar type organizations. The requirement that the organization be voluntary shall not exclude such organizations as an integrated state bar association or other professional society with a licensing function.

Section 2. Voting Membership: Active members are persons who are employed by voluntary organizations to manage their affairs. The privileges of voting and holding office are restricted to Active members.

Section 3. Non-voting Membership: Except as noted in Article VI, Section 2, the following classes of membership in MSAE shall be ineligible to vote or to hold office:

(a) Associate Membership: Associate members are persons employed by voluntary organizations represented by at least one Active MSAE member.

(b) Allied Membership: Allied members are organizations that have interests related to the purpose of MSAE but that are ineligible to be represented by Active members.

The Board of Directors may divide the allied membership into separate classes for the purpose of establishing dues levels and membership benefits.

(c) Honorary Membership: Honorary members are persons so designated by the Board of Directors upon nomination by Active members in good standing.

(d) Emeritus Membership: Emeritus members are persons who have been Active or Associate members for a minimum of five years and are in good standing upon retirement. Emeritus membership status shall begin with the MSAE membership year following retirement. Return to employment by voluntary or allied organizations shall require transfer into an applicable membership classification.

(e) Student Membership: Student members are persons who are engaged in formal study leading to a career in management of voluntary organizations and who have been recommended for membership by an Active member in good standing.

(f) Affiliate Membership: Affiliate members are persons pursuing employment in association management, but are ineligible to be represented by an Active member.

Section 4. Non-voting Membership Privileges: With the exception of the privileges of voting and holding office, membership benefits shall be conferred upon Non-voting members under such terms as the Board of Directors shall determine.

Section 5. Removal: Any member may be suspended or expelled for any cause the Board of Directors believes is detrimental to MSAE by a two-thirds affirmative vote of the Board. For any cause other than non-payment of dues, a vote for removal shall occur only after the member has been advised of the complaint and has been given reasonable opportunity to respond.

Section 6. Reinstatement: A suspended member may be reinstated upon written request to the Chairman of the Board and two-thirds affirmative vote by the Board of Directors.

Section 7. Non-discrimination: Membership in MSAE may not be denied to any applicant based upon any classification protected by applicable state and federal statutes, such as race, sex, age, national origin, handicap, marital status, familial status, height, and weight, color or religion.

ARTICLE IV - ORGANIZATION STRUCTURE

Consistent with the purpose of MSAE, the Board of Directors may at its discretion establish organizational units such as councils, committees, and sections; furthermore, the Board shall exercise authority over policies, services, programs, and budgets of all organizational units, including qualifications for membership, unless otherwise stated in these Bylaws.

ARTICLE V - MEETINGS OF MEMBERS AND VOTING

Section 1. Annual Business Meeting: The Annual Business Meeting of the membership shall be held at such place and on such dates as may be determined by the Board of Directors.

Section 2. Special Meetings: A special meeting of MSAE shall be called by the Board of Directors at any time, or shall be called by the Chairman of the Board upon receipt of a written request by no fewer than twenty-five (25) Active members within three (3) months, at a time and place determined by the Board of Directors. The business to be transacted at any special meeting shall be stated in the notice thereof, and no other business may be considered at that time.

Section 3. Notice of Meetings: Written notice of any business meeting of the membership shall be mailed to the last known address of each Active member not less than thirty (30) nor more than sixty (60) days before the date of the meeting.

Section 4. Voting: At all business meetings of the membership each Active member in good standing shall have one (1) vote, and may take part and vote in person only. Unless otherwise specifically provided by these Bylaws, a majority vote of those Active members present and voting shall govern.

Section 5. Election of Board of Directors: Members of the Board of Directors shall be elected by a majority of the votes cast by active members prior to the annual business meeting utilizing written ballots, electronic voting, or any other method approved by the Board of Directors.

Section 6. Quorum of Members: At an Annual Business or special meeting of members, a quorum shall consist of those Active members present. All actions taken by said members shall be implemented by the Board of Directors.

ARTICLE VI - BOARD OF DIRECTORS

Section 1. Authority and Responsibility: The governing body of MSAE shall be the Board of Directors. The Board of Directors shall have supervision, control, and direction of the affairs of MSAE; shall determine its policies and changes therein; shall supervise the disbursement of its funds; and shall be responsible for the interpretation of these Bylaws. The Board may adopt such rules and regulations for the conduct of its business as shall be deemed advisable, and may, in the execution of the powers granted, delegate certain of its authority and responsibility to the Executive Committee.

Section 2. Composition: The Board of Directors shall consist of fifteen (15) Directors elected from the voting membership; the most recent past Chairman of the Board able and willing to serve; ex-officio, the chief elected officials of each of the Regional Affiliates; and, ex-officio, the President, who shall serve without vote. Notwithstanding any provision of these Bylaws to the contrary, an allied member may be elected to serve and vote on the Board of Directors. No less than one-third of the voting Board members shall be Active members employed by voluntary organizations with headquarters in Southeast Michigan (Wayne, Oakland, Macomb, Washtenaw, Monroe, Lapeer, St. Clair, or Livingston Counties.)

Section 3. Term of Office: Elected Directors shall serve three (3) years staggered terms or until their successors have been elected and assume office. Newly elected directors shall assume office immediately following the Annual Business Meeting.

Section 4. Re-election: No elected Director who has served two (2) full consecutive terms shall be eligible for re-election until at least one (1) year has elapsed.

Section 5. Nominations: A nominating committee appointed by the Chairman of the Board shall present at least one nominee for each elected Director seat on the Board which is about to expire.

Section 6. Vacancies: Any vacancy occurring among the elected Directors between Annual Business Meetings of the Membership shall be filled by the Board of Directors. A director so appointed to fill a vacancy shall serve the unexpired term of his or her predecessor.

Section 7. Meetings of the Board: Regular meetings of the Boards of Directors shall be held no less than two (2) times during the administrative year at such time and place as the Board may prescribe. Notice of all such meetings shall be given to the Directors not less than thirty (30) days before the date of the meeting. Special meetings of the Board may be called by the Chairman of the Board, or at the request of any eight (8) elected Directors, by notice to each member of the Board of Directors not less than seventy-two (72) hours before the meeting is to

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be convened.

Section 8. Quorum of the Board: At any meeting of the Board of Directors, a majority of the voting members of the Board shall constitute a quorum for the transaction of business of MSAE, and any such business thus transacted shall be valid providing it is affirmatively passed upon by a majority of those present.

Section 9. Absence: Any Director who shall have been absent without excuse by the Chairman from two (2) consecutive regular meetings of the Board during a single administrative year shall vacate automatically the seat on the Board and the vacancy shall be filled as provided in these Bylaws.

Section 10. Removal: The Board of Directors may remove for cause any Director by two-thirds affirmative vote of the Board present at any regular or special meeting. A vote for removal shall occur only after the Director has been advised of the complaint and has been given reasonable opportunity to respond.

ARTICLE VII - EXECUTIVE COMMITTEE

Section 1. Authority and Responsibility: The Executive Committee may act in place and stead of the Board of Directors between Board meetings on all matters, except those specifically reserved to the Board by these Bylaws or the Michigan Nonprofit Corporation Act. Actions of the Executive Committee shall be reported to the Board by mail or at the next Board meeting for ratification.

Section 2. Composition: The Executive Committee shall consist of the officers of the Board, and, ex-officio, the President, who shall serve without vote.

Section 3. Quorum/Call of Meetings: A majority of the Executive Committee shall constitute a quorum at any duly called meeting of the Committee. The Chairman of the Board shall call such meetings as the business of MSAE may require, or a meeting may be called by the President on request of three (3) members of the Executive Committee.

ARTICLE VIII - OFFICERS OF THE BOARD

Section 1. Composition: The officers of the Board shall consist of a Chairman, a Chairman-Elect, a Secretary, a Treasurer, the most recent Past Chairman, and, ex-officio, the President.

Section 2. Election/Term of Office: The Chairman-Elect, Secretary and Treasurer shall be elected by and from those Directors who have been elected by the membership to serve for the ensuing year. The newly elected officers shall serve for a term of one (1) year, or commencing at the conclusion of the annual business meeting and continuing until their successors have been duly elected and assume office.

Section 3. Re-election: Elected officers, except the Treasurer, who have served one full term shall be ineligible for re-election to the same office until one year has elapsed. The Treasurer is eligible for reelection.

Section 4. Vacancy: If a vacancy occurs amongst the officers, that office may be filled for the balance of the term by a Board member elected by a majority vote of the Board of Directors.

Section 5. Duties: The duties of the elected officers shall be:

- (a) Chairman of the Board: The Chairman shall preside at all meetings of the Board of Directors, the Executive Committee, and the membership; and shall appoint, subject to confirmation by the Board of Directors, all members and chairmen of organizational units, and shall be an ex-officio member thereof.
- (b) Chairman-Elect: The Chairman-Elect shall perform the duties of the Chairman in the absence or disability of that officer or in the event of vacancy in said office until such vacancy is filled in accordance with these Bylaws. The Chairman-elect shall assume the office of Chairman at the next regular election of officers.
- (c) Secretary: The Secretary shall oversee the proper recording of proceedings of meetings of the membership, the Board of Directors, and the Executive Committee; and shall ensure that accurate records are kept of all members. Such duties of the Secretary as may be specified by the Board of Directors may be delegated to the President.
- (d) Treasurer: The Treasurer shall oversee MSAE's funds and records; the performance of an annual review or audit by a certified public accountant; and, further, shall report on the financial condition of MSAE at all meetings of the Board of Directors and at other times as called upon by the Chairman of the Board.
- (e) The duties of the elected officers may be modified as deemed appropriate by the Board of Directors.

ARTICLE IX - EXECUTIVE AND STAFF

Section 1. Appointment: The Board of Directors shall employ a salaried chief executive who shall have the title President and whose term and conditions of employment shall be specified by the Board.

Section 2. Authority and Responsibility: The President shall manage and direct all activities of MSAE subject to the policies of the Board of Directors and through the office of the Chairman of the Board. The President shall employ and may terminate the employment of members of the staff necessary to carry on the work of MSAE and fix their compensation within the approved budget. The President shall define the duties of the staff, supervise their performance, establish their titles, and delegate those responsibilities of management as shall be in the best interest of MSAE. The President shall serve without vote as an ex-officio member of the Executive Committee and the Board of Directors.

ARTICLE X - INDEMNIFICATION

Each person who is a director, officer, or member of any committee of MSAE may be indemnified by MSAE to the fullest extent to which MSAE has the power so to indemnify such persons pursuant to the corporation laws of the State of Michigan as they may be in effect from time to time. MSAE may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification to any employee or agent of MSAE under the laws of the State of Michigan as they may be in effect from time to time.

MSAE may make advances to the persons described in this section to cover expenses incurred in defending claims brought against them upon receipt of an undertaking of the person involved to repay the expense if it is determined ultimately that the person is not entitled to be indemnified by MSAE.

ARTICLE XI - FINANCE

Section 1. **Fiscal Period:** The annual fiscal period of MSAE shall be prescribed by the Board of Directors.

Section 2. **Budget:** The Board of Directors shall adopt an annual operating budget for all activities of MSAE.

Section 3. **Dues:** Annual dues for all classes of membership and all matters related thereto shall be prescribed by the Board of Directors.

Section 4. **Audit:** The accounts of MSAE shall be reviewed or audited not less than annually by a certified public accountant who shall be recommended by the President with approval of the Board and who shall provide a report to the Board of Directors which shall then report in an appropriate manner to the membership.

ARTICLE XII - DISSOLUTION

MSAE shall use its funds only to accomplish the purposes specified in these Bylaws and no part of said funds shall inure, or be distributed, to the members of MSAE. On dissolution of MSAE, any assets remaining shall be distributed to one or more regularly organized and qualified nonprofit organizations, to be selected by the Board of Directors, which are engaged in activities substantially similar to or consistent with those of MSAE.

ARTICLE XIII - RULES OF ORDER

The rules contained in the current edition of *ROBERT'S RULES OF ORDER* shall govern the conduct of the meetings of MSAE in all cases to which they are applicable and in which they are not inconsistent with these Bylaws and any special rules MSAE may adopt.

ARTICLE XIV- AMENDMENTS OR REPEAL OF BYLAWS

Section 1. **Proposing:** Amendments to or a repeal of these Bylaws may be proposed by the Board of Directors on its own initiative or upon written petition by fifty (50) Active members. The Board shall present all such proposals to the Active members with or without endorsement.

Section 2. **Approval:** Amendments to or a repeal of these Bylaws shall be approved by: a majority affirmative vote of the Active members present and voting at any Annual Business Meeting or special meeting of the membership, duly called, provided written notice of proposed changes have been sent to Active members not less than thirty (30) nor more than sixty (60) days before such meeting; or by a two-thirds affirmative vote of the Board of Directors with ratification by a majority of Active members casting votes by written ballot, electronically, or any other method approved by the Board of Directors.

Revised July 1995

Proposed Revisions February 1997, Approved by Bylaws Committee March 3, 1997, Approved by Board of Directors, March 27, 1997.

Proposed Revisions March 1999.